

Township of Leighton
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

**Township Board
Township of Leighton, Michigan**

We have audited the accompanying financial statements of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leighton, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township of Leighton, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Leighton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leighton, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 21 - 25, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



1958-2008

Board of Trustees
Township of Leighton, Michigan
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The Township of Leighton, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Sigfried Crandall P.C.

July 1, 2008

BASIC FINANCIAL STATEMENTS

Township of Leighton
STATEMENT OF NET ASSETS
 March 31, 2008

	<u>Primary government</u>	<u>Component unit</u>
	<u>Governmental activities</u>	<u>Leighton Township Green Lake Sewer Commission</u>
ASSETS		
Current assets:		
Cash	\$ 1,537,062	\$ 641,701
Receivables, net	102,737	79,733
Prepaid expense	12,923	-
Total current assets	<u>1,652,722</u>	<u>721,434</u>
Noncurrent assets:		
Receivables, net	-	102,500
Capital assets not being depreciated	81,522	138,782
Capital assets, net of accumulated depreciation	<u>1,635,896</u>	<u>1,914,934</u>
Total noncurrent assets	<u>1,717,418</u>	<u>2,156,216</u>
Total assets	<u>3,370,140</u>	<u>2,877,650</u>
LIABILITIES		
Current liabilities:		
Payables	37,874	-
Current portion of long-term obligations	<u>14,893</u>	<u>-</u>
Total current liabilities	52,767	-
Noncurrent liabilities - long-term obligations	<u>52,085</u>	<u>265,200</u>
Total liabilities	<u>104,852</u>	<u>265,200</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,717,418	1,788,516
Restricted for:		
Public safety	492,943	-
Public works	376,378	-
Culture and recreation	278,563	-
Unrestricted	<u>399,986</u>	<u>823,934</u>
Total net assets	<u>\$ 3,265,288</u>	<u>\$ 2,612,450</u>

See notes to the financial statements

Township of Leighton
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Governmental activities:			
Legislative	\$ 5,280	\$ -	\$ -
General government	217,016	93,606	-
Public safety	306,329	82,850	-
Public works	218,227	20,617	6,007
Health and welfare	6,000	-	-
Community and economic development	12,774	4,988	-
Culture and recreation	213,123	24,995	7,777
Interest on long-term debt	4,118	2,581	-
Total primary government	<u>\$ 982,867</u>	<u>\$ 229,637</u>	<u>\$ 13,784</u>
Component unit			
Public works	\$ 176,759	\$ 111,610	\$ -
Interest on long-term debt	15,818	9,430	-
Total component unit	<u>\$ 192,577</u>	<u>\$ 121,040</u>	<u>\$ -</u>

General revenues:
Property taxes
Franchise fees
State grants
Investment income
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

<i>Net (expenses) revenues and changes in net assets</i>	
<i>Primary government</i>	<i>Component unit</i>
<i>Governmental activities</i>	<i>Leighton Township Green Lake Sewer Commission</i>
\$ (5,280)	
(123,410)	
(223,479)	
(191,603)	
(6,000)	
(7,786)	
(180,351)	
<u>(1,537)</u>	
 <u>(739,446)</u>	
	\$ (65,149)
	<u>(6,388)</u>
	 <u>(71,537)</u>
685,975	-
15,509	-
249,707	-
74,844	29,496
<u>1,490</u>	<u>-</u>
 <u>1,027,525</u>	 <u>29,496</u>
288,079	(42,041)
<u>2,977,209</u>	<u>2,654,491</u>
 <u>\$ 3,265,288</u>	 <u>\$ 2,612,450</u>

See notes to the financial statements

Township of Leighton
BALANCE SHEET - governmental funds
 March 31, 2008

		<u>Special revenue</u>	
	<u>General</u>	<u>Road</u>	<u>Public Safety</u>
ASSETS			
Cash	\$ 191,730	\$ 366,190	\$ 434,794
Receivables, net	<u>66,691</u>	<u>10,188</u>	<u>9,351</u>
Total assets	<u>\$ 258,421</u>	<u>\$ 376,378</u>	<u>\$ 444,145</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	<u>\$ 31,509</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Unreserved, undesignated	184,074	376,378	444,145
Reserved for building inspections	<u>42,838</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>226,912</u>	<u>376,378</u>	<u>444,145</u>
Total liabilities and fund balances	<u>\$ 258,421</u>	<u>\$ 376,378</u>	<u>\$ 444,145</u>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Long-term liabilities, including drain special assessments, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<u>Capital Improvement</u>	<u>Library</u>	<u>Nonmajor Debt service Sewer</u>	<u>Total governmental funds</u>
\$ 276,468	\$ 267,880	\$ -	\$ 1,537,062
<u>-</u>	<u>14,294</u>	<u>2,213</u>	<u>102,737</u>
<u>\$ 276,468</u>	<u>\$ 282,174</u>	<u>\$ 2,213</u>	<u>\$ 1,639,799</u>
 \$ -	 \$ 4,152	 \$ 2,213	 \$ 37,874
276,468	278,022	-	1,559,087
<u>-</u>	<u>-</u>	<u>-</u>	<u>42,838</u>
<u>276,468</u>	<u>278,022</u>	<u>-</u>	<u>1,601,925</u>
 <u>\$ 276,468</u>	 <u>\$ 282,174</u>	 <u>\$ 2,213</u>	 <u>\$ 1,639,799</u>
			\$ 1,601,925
			1,717,418
			12,923
			<u>(66,978)</u>
			<u>\$ 3,265,288</u>

See notes to financial statements

Township of Leighton**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<u>Special revenue</u>		
	<u>General</u>	<u>Road</u>	<u>Public Safety</u>
REVENUES			
Taxes	\$ 218,962	\$ 178,232	\$ 164,137
Licenses and permits	96,435	-	-
State grants	255,714	-	-
Charges for services	36,103	-	-
Fines and forfeitures	-	-	-
Interest and rentals	24,478	19,144	15,247
Other	53,946	-	-
	<u>685,638</u>	<u>197,376</u>	<u>179,384</u>
Total revenues			
EXPENDITURES			
Legislative	5,280	-	-
General government	205,807	-	-
Public safety	244,628	-	-
Public works	278,227	-	-
Health and welfare	6,000	-	-
Community and economic development	27,006	-	-
Culture and recreation	5,800	-	-
Capital outlay	93,892	-	-
Debt service:			
Principal	-	-	35,000
Interest	-	-	1,537
	<u>866,640</u>	<u>-</u>	<u>36,537</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(181,002)</u>	<u>197,376</u>	<u>142,847</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	271,001	-	-
Transfers out	(40,000)	(205,226)	(65,775)
	<u>231,001</u>	<u>(205,226)</u>	<u>(65,775)</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCES	49,999	(7,850)	77,072
FUND BALANCES - BEGINNING	<u>176,913</u>	<u>384,228</u>	<u>367,073</u>
FUND BALANCES - ENDING	<u>\$ 226,912</u>	<u>\$ 376,378</u>	<u>\$ 444,145</u>

<u>Capital Improvement</u>	<u>Library</u>	<u>Nonmajor Debt service Sewer</u>	<u>Total governmental funds</u>
\$ -	\$ 196,777	\$ -	\$ 758,108
-	-	-	96,435
-	6,750	-	262,464
-	-	-	36,103
-	23,068	-	23,068
8,480	7,495	2,581	77,425
-	2,954	45,688	102,588
<u>8,480</u>	<u>237,044</u>	<u>48,269</u>	<u>1,356,191</u>
-	-	-	5,280
-	-	-	205,807
-	-	-	244,628
-	-	-	278,227
-	-	-	6,000
-	-	-	27,006
-	217,626	-	223,426
-	35,338	-	129,230
-	-	45,688	80,688
-	-	2,581	4,118
<u>-</u>	<u>252,964</u>	<u>48,269</u>	<u>1,204,410</u>
<u>8,480</u>	<u>(15,920)</u>	<u>-</u>	<u>151,781</u>
40,000	-	-	311,001
-	-	-	(311,001)
<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
48,480	(15,920)	-	151,781
<u>227,988</u>	<u>293,942</u>	<u>-</u>	<u>1,450,144</u>
<u>\$ 276,468</u>	<u>\$ 278,022</u>	<u>\$ -</u>	<u>\$ 1,601,925</u>

See notes to financial statements

Township of Leighton

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2008

Net change in fund balances - total governmental funds	\$ 151,781
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Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Capital assets:

Assets acquired	291,569
Assets disposed	(1,167)
Provision for depreciation	(120,000)

Long-term obligations:

Debt issued	(81,871)
Principal repayments	95,581

Changes in other assets/liabilities:

Net decrease in prepaid expenses	(2,126)
Net decrease in deferred revenue	<u>(45,688)</u>

Change in net assets of <i>governmental activities</i>	<u>\$ 288,079</u>
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See notes to the financial statements

Township of Leighton

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2008

ASSETS

Cash	\$ <u>57,527</u>
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LIABILITIES

Due to other governmental units	\$ <u>57,527</u>
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See notes to the financial statements

Township of Leighton
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Leighton, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely-presented component unit:

Leighton Township Green Lake Sewer Commission

The Leighton Township Green Lake Sewer Commission (the Commission) meets the criteria of a component unit and has been included in the Township's government-wide financial statements as a discretely-presented component unit. The Commission is reported in a separate column to emphasize it is legally separate from the Township. The Commission has a March 31 year end. The Commission's administrative office is located at 800 142nd Avenue, Wayland, Michigan 49348.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for the financial resources used for the maintenance of the Townships roads and right of ways. Revenues are primarily derived from property taxes and state grants.

The Public Safety Fund accounts for the financial resources used for the operational costs of the Township's fire and police protection. Revenues are primarily derived from property taxes.

The Library Fund accounts for the Township's operational costs of the Library. Revenues are primarily derived from property taxes.

The Capital Improvement Fund accounts for the accumulation of financial resources to be used for future acquisitions and construction of capital assets.

The Township reports a single fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector standards.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	40 years

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$ 66,225	\$ 93,892	\$ (27,667)
Library	Recreation and culture	192,000	217,626	(25,626)
	Capital outlay	24,000	35,338	(11,338)

The Township has not adopted a budget for the Capital Improvement Fund.

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements, consists of the following:

	<u>Govern- mental activities</u>	<u>Fiduciary</u>	<u>Total primary government</u>	<u>Total component unit</u>	<u>Totals</u>
Deposits	\$ 1,537,062	\$ 57,527	\$ 1,594,589	\$ 641,701	\$ 2,236,290

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

Deposits with financial institutions:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, a portion of the Township's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized as follows:

	<u>Bank balances</u>	<u>Uninsured</u>
Primary government	\$ 1,800,562	\$ 1,357,529
Component unit	645,016	252,633

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

At March 31, 2008, the Township's receivables were as follows:

	<u>Accounts</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special Assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental activities:						
General Fund	\$ 12,822	\$ -	\$ 14,632	\$ -	\$ 39,237	\$ 66,691
Road Fund	-	-	10,188	-	-	10,188
Public Safety Fund	-	-	9,351	-	-	9,351
Library Fund	-	-	11,257	-	3,037	14,294
Nonmajor - Sewer Fund	-	-	-	2,213	-	2,213
Total governmental activities	<u>\$ 12,822</u>	<u>\$ -</u>	<u>\$ 45,428</u>	<u>\$ 2,213</u>	<u>\$ 42,274</u>	<u>\$ 102,737</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Component unit:						
Leighton Township Green						
Lake Sewer Commission	<u>\$ 3,627</u>	<u>\$ 26,106</u>	<u>\$ -</u>	<u>\$ 152,500</u>	<u>\$ -</u>	<u>\$ 182,233</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,500</u>	<u>\$ -</u>	<u>\$ 102,500</u>

All receivables are considered fully collectible.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 81,522	\$ -	\$ -	\$ 81,522
Capital assets being depreciated:				
Buildings and improvements	1,006,877	30,880	-	1,037,757
Equipment	563,810	56,461	-	620,271
Vehicles	596,208	67,512	(12,000)	651,720
Roads	184,293	136,716	-	321,009
Subtotal	2,351,188	291,569	(12,000)	2,630,757
Less accumulated depreciation for:				
Buildings and improvements	(259,874)	(29,523)	-	(289,397)
Equipment	(365,722)	(52,295)	-	(418,017)
Vehicles	(250,425)	(28,444)	10,833	(268,036)
Roads	(9,673)	(9,738)	-	(19,411)
Subtotal	(885,694)	(120,000)	10,833	(994,861)
Total capital assets being depreciated, net	1,465,494	171,569	(1,167)	1,635,896
Governmental activities capital assets, net	\$ 1,547,016	\$ 171,569	\$ (1,167)	\$ 1,717,418
Component unit:				
Capital assets not being depreciated - land	\$ 138,782	\$ -	\$ -	\$ 138,782
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	44,066	-	-	44,066
Subtotal	3,898,098	-	-	3,898,098
Less accumulated depreciation for:				
Sewer system	(1,856,763)	(95,937)	-	(1,952,700)
Equipment	(26,418)	(4,046)	-	(30,464)
Subtotal	(1,883,181)	(99,983)	-	(1,983,164)
Total capital assets being depreciated, net	2,014,917	(99,983)	-	1,914,934
Component unit capital assets, net	\$ 2,153,699	\$ (99,983)	\$ -	\$ 2,053,716

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 15,324
Public safety	52,728
Public works	9,738
Culture and recreation	<u>42,210</u>

Total governmental activities \$ 120,000

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2008, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	\$ 271,001	Public safety	\$ 65,775
		Road	<u>205,226</u>
			271,001
Capital Improvement	<u>40,000</u>	General	<u>40,000</u>
	<u>\$ 311,001</u>		<u>\$ 311,001</u>

The transfer to the General Fund represents restricted revenues collected in the Public Safety Fund and Road Fund to pay for operational costs accounted for in the General Fund.

The transfer to the Capital Improvement Fund represents a designation for future capital projects.

NOTE 7 - PAYABLES:

At March 31, 2008, the Township's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- govern- mental</u>	<u>Customer deposits</u>	<u>Totals</u>
Governmental activities:					
General Fund	9,298	9,319	4,431	8,461	31,509
Library Fund	4,152	-	-	-	4,152
Nonmajor - Sewer Fund	<u>-</u>	<u>-</u>	<u>2,213</u>	<u>-</u>	<u>2,213</u>
Totals	<u>\$ 13,450</u>	<u>\$ 9,319</u>	<u>\$ 6,644</u>	<u>\$ 8,461</u>	<u>\$37,874</u>

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS:

At March 31, 2008, long-term liabilities are comprised of the following individual issues:

Primary government:

Governmental activities:

Special assessment:

Various drain assessments, due to Allegan County without interest in annual installments of \$3,332 to \$14,893, final payment due in 2017. \$ 66,978

Component unit:

Bonds payable:

\$600,000 2002 Sewer disposal system revenue bonds; payable in annual installments of \$50,000, plus interest at 3.60% to 4.65%; final payment due April 2012. \$ 270,000

Less unamortized discount (4,800)

Total component unit long-term obligations \$ 265,200

Long-term obligation activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
Installment Purchase	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -
1999 Sewer Assessment	45,688	-	(45,688)	-	-
Special Assessment - Drains	-	81,871	(14,893)	66,978	14,893
Total governmental activities	<u>\$ 80,688</u>	<u>\$ 81,871</u>	<u>\$ (95,581)</u>	<u>\$ 66,978</u>	<u>\$ 14,893</u>
Component unit:					
2002 Bonds Payable	\$ 330,000	\$ -	\$ (60,000)	\$ 270,000	\$ -
Unamortized discount	(6,000)	-	1,200	(4,800)	-
Total component unit	<u>\$ 324,000</u>	<u>\$ -</u>	<u>\$ (58,800)</u>	<u>\$ 265,200</u>	<u>\$ -</u>

The Township has pledged its full faith and credit for the 2002 Sewer disposal system revenue bonds of the component unit.

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued):

Debt service requirements at March 31, 2008, were as follows:

<i>Year ended March 31:</i>	<i>Governmental activities</i>		<i>Component unit</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2009	\$ 14,893	\$ -	\$ -	\$ 6,063
2010	14,893	-	65,000	10,729
2011	14,893	-	65,000	7,886
2012	5,643	-	70,000	4,847
2013	3,332	-	70,000	1,627
2014 - 2017	<u>13,324</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 66,978</u>	<u>\$ -</u>	<u>\$ 270,000</u>	<u>\$ 31,152</u>

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its employees except volunteer firemen and seasonal employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township is required to contribute 7.5% - 18.75% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township and employees made required contributions of \$5,160 and \$1,720, respectively.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 80,926
Expenses	<u>(72,058)</u>
Excess of revenues over expenses	<u>\$ 8,868</u>
Cumulative excess, included in fund balance reservation of General Fund	<u>\$ 42,838</u>

Township of Leighton
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - JOINT VENTURES:

The Township, together with the Township of Dorr, established a joint wastewater treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township is contingently liable for \$1,922,800 of the authority's outstanding bonds payable, a portion of which is to be repaid from collections of special assessments levied against properties within the Township. Contracts payable equal to the outstanding assessment balances are included in the Township's general long-term debt account group.

NOTE 12 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 13 - RE-ALLOCATION OF OPENING FUND BALANCES:

The Township reallocated opening fund balances, based on the existence or absence of external restrictions on the use of the resources. Fund equity as of April 1, 2007, included in the financial statements, represents restated balances as presented below. Total fund balance and total net assets were unchanged as a result of the reallocation.

	<u>Fund balances</u>	
	<u>Public Safety</u>	<u>Capital Improvement</u>
Beginning of year, as previously reported	\$ 595,061	\$ -
Re-allocations	(227,988)	227,988
Beginning of year, as reallocated	<u>\$ 367,073</u>	<u>\$ 227,988</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 215,069	\$ 215,069	\$ 218,962	\$ 3,893
Licenses and permits	49,500	49,500	96,435	46,935
State grants	256,284	256,284	255,714	(570)
Charges for services	43,200	43,200	36,103	(7,097)
Interest and rentals	14,086	14,086	24,478	10,392
Other	39,262	39,262	53,946	14,684
	<u>617,401</u>	<u>617,401</u>	<u>685,638</u>	<u>68,237</u>
EXPENDITURES				
Legislative	<u>5,480</u>	<u>5,480</u>	<u>5,280</u>	<u>200</u>
General government:				
Supervisor	15,000	15,000	15,000	-
Election	9,000	9,000	2,320	6,680
Assessor	32,775	32,775	31,660	1,115
Clerk	25,600	25,600	24,605	995
Board of Review	1,600	1,600	1,247	353
Treasurer	27,100	27,100	27,103	(3)
Hall and grounds	26,000	26,000	26,117	(117)
Cemetery	13,000	13,000	14,706	(1,706)
Other	78,625	69,855	63,049	6,806
	<u>228,700</u>	<u>219,930</u>	<u>205,807</u>	<u>14,123</u>
Public safety:				
Police	60,000	60,000	55,121	4,879
Fire	140,375	140,375	117,449	22,926
Building inspections	<u>70,000</u>	<u>72,500</u>	<u>72,058</u>	<u>442</u>
	<u>270,375</u>	<u>272,875</u>	<u>244,628</u>	<u>28,247</u>
Public works:				
Highways and streets	290,000	290,000	241,622	48,378
Street lighting	28,712	28,712	20,367	8,345
Drains	18,500	18,500	15,826	2,674
Recycling	<u>600</u>	<u>600</u>	<u>412</u>	<u>188</u>
	<u>337,812</u>	<u>337,812</u>	<u>278,227</u>	<u>59,585</u>

Township of Leighton**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Community and economic development - planning and zoning	47,000	47,000	27,006	19,994
Culture and recreation:				
Parks and recreation	3,000	5,978	3,873	2,105
Library	1,000	1,000	1,927	(927)
Total recreation and culture	4,000	6,978	5,800	1,178
Capital outlay	62,933	66,225	93,892	(27,667)
Total expenditures	962,300	962,300	866,640	95,660
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(344,899)</u>	<u>(344,899)</u>	<u>(181,002)</u>	<u>163,897</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Road Fund	290,000	290,000	205,226	(84,774)
Transfer from Public Safety Fund	142,000	142,000	65,775	(76,225)
Transfer to Capital Improvement Fund	(40,000)	(40,000)	(40,000)	-
Total other financing sources (uses)	392,000	392,000	231,001	(160,999)
NET CHANGE IN FUND BALANCES	47,101	47,101	49,999	2,898
FUND BALANCES - BEGINNING	176,913	176,913	176,913	-
FUND BALANCES - ENDING	<u>\$ 224,014</u>	<u>\$ 224,014</u>	<u>\$ 226,912</u>	<u>\$ 2,898</u>

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 172,391	\$ 172,391	\$ 178,232	\$ 5,841
Interest	<u>3,000</u>	<u>3,000</u>	<u>19,144</u>	<u>16,144</u>
Total revenues	175,391	175,391	197,376	21,985
OTHER FINANCING USES				
Transfer to General Fund	<u>(290,000)</u>	<u>(290,000)</u>	<u>(205,226)</u>	<u>84,774</u>
NET CHANGE IN FUND BALANCES	(114,609)	(114,609)	(7,850)	106,759
FUND BALANCES - BEGINNING	<u>384,228</u>	<u>384,228</u>	<u>384,228</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 269,619</u>	<u>\$ 269,619</u>	<u>\$ 376,378</u>	<u>\$ 106,759</u>

Township of Leighton**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 158,901	\$ 158,901	\$ 164,137	\$ 5,236
Interest	<u>6,950</u>	<u>6,950</u>	<u>15,247</u>	<u>8,297</u>
Total revenues	165,851	165,851	179,384	13,533
EXPENDITURES				
Debt service:				
Principal	35,000	35,000	35,000	-
Interest	<u>2,000</u>	<u>2,000</u>	<u>1,537</u>	<u>463</u>
Total expenditures	<u>37,000</u>	<u>37,000</u>	<u>36,537</u>	<u>463</u>
EXCESS OF REVENUES OVER EXPENDITURES	128,851	128,851	142,847	13,996
OTHER FINANCING USES				
Transfer to General Fund	<u>(105,000)</u>	<u>(105,000)</u>	<u>(65,775)</u>	<u>39,225</u>
NET CHANGE IN FUND BALANCES	23,851	23,851	77,072	53,221
FUND BALANCES - BEGINNING	<u>367,073</u>	<u>367,073</u>	<u>367,073</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 390,924</u>	<u>\$ 390,924</u>	<u>\$ 444,145</u>	<u>\$ 53,221</u>

Township of Leighton
BUDGETARY COMPARISON SCHEDULE - Library Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 188,077	\$ 188,077	\$ 196,777	\$ 8,700
State grants	1,000	1,000	6,750	5,750
Fines and forfeitures	26,323	26,323	23,068	(3,255)
Interest	-	-	7,495	7,495
Other	600	600	2,954	2,354
Total revenues	<u>216,000</u>	<u>216,000</u>	<u>237,044</u>	<u>21,044</u>
EXPENDITURES				
Recreation and culture	192,000	192,000	217,626	(25,626)
Capital outlay	24,000	24,000	35,338	(11,338)
Total expenditures	<u>216,000</u>	<u>216,000</u>	<u>252,964</u>	<u>(36,964)</u>
NET CHANGE IN FUND BALANCES	-	-	(15,920)	(15,920)
FUND BALANCES - BEGINNING	<u>293,942</u>	<u>293,942</u>	<u>293,942</u>	-
FUND BALANCES - ENDING	<u>\$ 293,942</u>	<u>\$ 293,942</u>	<u>\$ 278,022</u>	<u>\$ (15,920)</u>

July 1, 2008

To the Board of Trustees
Township of Leighton

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leighton for the year ended March 31, 2008, and have issued our report thereon dated July 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Leighton are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Leighton during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Leighton's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Leighton as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Leighton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Leighton and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.